

CALIFORNIA FRANCHISE TAX BOARD

Internal Procedures Manual
General Tax Audit Manual

2000 AUDIT OBJECTIVES

The audit goals that support our mission, as outlined in our strategic plan, are to:

- Become customer-centered.
- Promote fair and effective tax administration.
- Build a strong organization.
- Deliver efficient and high quality business results.
- Protect taxpayer privacy and ensure security of taxpayer information.

GTAM 2100	AUDIT STANDARDS
GTAM 2210	CUSTOMER SERVICE
GTAM 2220	TAXPAYER BILL OF RIGHTS TIMEFRAMES

Reviewed: April 2003

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2100 AUDIT STANDARDS

We want to consistently provide high quality services to taxpayers. You are expected to correctly apply and administer the tax laws in a reasonable, practical, fair, and impartial manner. Conduct audits within the bounds of the law, with sound administration, minimal delay, courtesy, and respect to taxpayers. Also, conduct audits in a manner that is the least burdensome, costly, or intrusive to taxpayers.

The audit process identifies issues; gathers, evaluates, and documents information; and determines the correct tax liability, supported by reasonable interpretation of the tax laws. Use the following audit standards in completing audits, called “LOTS”:

- **LEGALITY** – Ensure audit activities and conclusions agree with established laws and legal interpretations.
- **OBJECTIVITY** – Examine all relevant, available facts fairly and without bias.
- **TIMELINESS** – Conduct and complete audits with a minimum of inconvenience to taxpayers.
- **SUPPORTABILITY** – Adequately support recommendations with facts and law.

Audit Expectations

You should effectively manage your inventory, plan your work, consider the materiality of issues, and conduct examinations without intruding on taxpayers' time unnecessarily. Here are some guidelines:

- Avoid opening new audits with fewer than 6-12 months before the statute of limitations expires.
- Make information requests timely, reasonable, and material. Consider practicality, costs, and alternative acceptable documentation.
- Use online resources (Lexis/Nexis, RIA, CCH, etc.) to get information, instead of asking the taxpayer for it.
- Ensure taxpayers understand why the requested documents are necessary for the audit.
- Avoid rework by preparing timely, organized, and clear workpapers.

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- Follow up with taxpayers within 30 days of last contact. Meet any established timeframes.
 - Establish a positive relationship with taxpayers to help complete the audit effectively and on time.
 - Confirm the facts and tax law applications support the final audit recommendations.
 - Ensure taxpayers receive a written summary of the final audit recommendations and the status of their audit.
 - Complete audits within one year.

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NOTE: ((* * *)) = Indicates confidential and/or proprietary information that has been deleted.

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2210 CUSTOMER SERVICE

In the high quality audit environment, we *listen, recognize and respect a customer's needs, and provide timely assistance*. Our Statement of Principles of Tax Administration clearly values high quality customer service.

We emphasize customer service while ensuring compliance. To ensure quality customer service, the Audit Division stresses the following goals:

- **Value Customer Service** – Be aware of customer service and its application during audit activities.
- **Be Efficient** – Audit tax year(s) that are more current, shorten audit time, and produce quality audits.
- **Follow Up and Meet Deadlines** – Always respond timely to letters, phone calls, etc.
- **Minimize Intrusiveness** – Use all available resources to minimize information requests. Be flexible by accepting alternative documents when possible. Apply the law consistently and clearly. Emphasize education and compliance to measure benefits and efficiencies.
- **Value and Apply Professionalism in the Workplace** – Value communication. Respect individuality and ideas. Provide equal opportunities to staff. Continue developing and training staff.

It is critical to establish a positive relationship with the taxpayer or representative to ensure completion of the audit effectively and on time. To encourage positive working relationships, use the audit standards of *Legality, Objectivity, Timeliness, and Supportability* (see GTAM 2100).

When interacting with the taxpayer or representative, ensure that:

- The taxpayer understands the audit's purpose and our legitimate need for the information we request. Discuss alternative information sources that could satisfy our needs (for example, a purchase contract instead of cancelled checks to substantiate basis).
- You evaluate audit data and determine the result in a timely, fair and impartial manner.
- The audit presents as little inconvenience to the taxpayer as possible. This includes obtaining information from third party sources whenever possible (see GTAM 9210, *Third Party Contacts*). Always research other sources

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for audit information before sending an Information Request or Document Request.

- Both facts and law support the final audit recommendations.
- We inform the taxpayer of the final audit recommendations.

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2220 TAXPAYER BILL OF RIGHTS TIMEFRAMES

The California Taxpayer Bill of Rights (TPBOR, see GTAM 1100) gives the time guidelines for processing Claims for Refund and Protests.

The TPBOR time in the chart below refers to the time between the date we stamp it "received" and the date of Notice of Action. These guidelines are not the same as the date that the Statute of Limitations expires. They are guidelines set by Audit to ensure timely processing of these items.

CATEGORY	TPBOR TIME
Claims for Refund	ooo
PIT Claims without Audit Involvement	2 Months
PIT Desk Audit Claims	10 Months
PIT Field Audit Claims	18 Months
Corp. Claims without Audit Involvement	3 Months
Corp. Desk Audit Claims	12 Months
Apportioning Field Claims	27 Months
Nonapportioning Field Claims	18 Months
PIT Clerical Audit Protests	6 Months
PIT Desk Audits	10 Months
PIT Field or Hearing Protests	18 Months
Corporation Desk Audit	10 Months
Nonapportioning Field and Hearing Protests	18 Months
Undocketed Apportioning Field and Hearing Protests	30 Months
Docketed Apportioning Protests	38 Months

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